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C O N F I D E N T I A L BANDAR SERI BEGAWAN 000161

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DEPARTMENT FOR EAP/MTS

E.O. 12958: DECL: 06/07/2017
TAGS: [PREL](#) [PGOV](#) [MARR](#) [SENV](#) [BX](#)
SUBJECT: BRUNEI: WHY WE CARE, HOW WE'RE DOING

Classified By: Ambassador Emil Skodon, reasons 1.4 (b) & (d)

SUMMARY

11. (C) A mid-fiscal year stocktaking confirms that Brunei's significance for the U.S. continues to be summarized in three words: oil, religion, and location. The following developments have occurred in each of these areas so far during FY-07:

-- Increased oil and gas exports helped reduce market volatility, and Brunei signaled its intention to allow market forces to continue to drive production decisions.

-- Popular identification with the global Islamic "ummah" and a world view emphasizing victimization of Muslims by U.S.-led western nations has been on the upswing, increasing the potential for regional Islamic terrorist groups eventually turning their attention to Brunei.

-- External powers continued to make use of Brunei's strategic location, with the British taking steps to ensure it remains home to their third largest contingent of permanently stationed overseas troops, the Chinese expanding defense ties, and the Singaporeans continuing to train land forces here.

12. (C) Given the above, U.S. interests continue to lie in seeing Brunei enjoy long-term stability, contribute to regional security, and help to foster improved U.S. relations with the Islamic world. To date we have been most successful at improving counterterrorism cooperation, largely through intensified mil-mil and law enforcement interaction. We are close to a public endorsement of PSI principles and signing of an HSPD-6 terrorist information sharing agreement. Although we have had better than expected success in our public diplomacy efforts, our limited resources have only marginally blunted the impact of media coverage that portrays the U.S. as anti-Islam.
END SUMMARY.

BRUNEI'S SIGNIFICANCE: OIL, RELIGION, AND LOCATION

13. (C) Now that Department review has validated our recently submitted FY-09 Mission Strategic Plan and we have passed the halfway point in the current fiscal year, we believe this to be an appropriate juncture for taking stock of U.S. interests in Brunei and our progress on FY-07 MSP performance indicators. We continue to hold that Brunei's significance for the U.S. lies in its role as a reliable exporter of oil and gas, its status as a moderate member of the Muslim community of nations, and its strategic location. Those three factors continue to underlie U.S. long-term interests, but each has been affected by developments so far in FY-07.

OIL

¶4. (SBU) Oil and gas production data indicate that Brunei has continued to be a reliable hydrocarbons producer that follows market-friendly policies which contribute to reduced price volatility. Brunei recorded its highest annual hydrocarbons production and export levels for several years in CY-06, helping to lessen pressure on an otherwise tight market. The bulk of those exports were directed to key U.S. allies Japan, Korea, and Australia (Brunei petroleum executives estimate that approximately one out of five light bulbs in Tokyo are lit by power derived from Bruneian natural gas). The value of crude exports to the U.S. -- mostly to West Coast refineries -- exceeded a half billion dollars.

¶5. (SBU) Bruneian oil and gas authorities signaled that market forces, not political decisions, will continue to drive their decision making. This approach was the basis for the contract Mitsubishi signed in FY-07 for construction of a methanol plant using local feedstock, as well as for negotiations with an Australian-led group to build potentially one of the world's largest fertilizer plants, and for discussions with U.S. company Alcoa on a large aluminum smelter powered by locally-generated electricity. Also in FY-07, Brunei's government reached production sharing agreements for two onshore blocs with consortia of local and foreign firms, and we understand there may be quiet movement toward a production sharing agreement with Malaysia that would open disputed offshore areas thought to contain extremely large oil and gas deposits to further exploration.

RELIGION

¶6. (C) While Brunei has long been the most dogmatic Islamic nation in East Asia, we perceive a trend toward greater identification with the global Islamic community and a world view that portrays all of the "ummah's" problems as the result of victimization by the West, led by an anti-Muslim United States. Opinion polls do not exist here and we cannot quantify this trend; however, our sense is that the "War on Terror" is increasingly perceived as a "War on Islam." This is due in part to the continuing stream of negative news from the Middle East, and in part from the introduction to Brunei in FY-07 of media outlets with an anti-U.S. editorial bias: al-Jazeera's English-language satellite channel, and the Brunei Times daily newspaper, which features an editorial page that draws heavily from Arab press service op-eds. These trends, along with the pressure that regional Islamic terrorist groups have come under in neighboring countries, have increased the threat of such groups turning to Brunei as a potential safe haven or target of operations.

¶7. (C) The government has attempted to channel popular identification with the "ummah" into positive initiatives that are often consonant with U.S. interests. In January, the Sultan announced that a new Islamic university would be established in Brunei before the end of FY-07 which will seek to draw students from the southern Philippines and other Muslim areas of Southeast Asia into a curriculum that emphasizes moderate and non-violent Islam. The Sultan also supported limited tolerance for non-Muslims in FY-07. Following Embassy intervention, he overturned a strict interpretation of zoning laws advocated by dogmatic Islamists which threatened a long-standing Christian congregation with the loss of its house of worship. In April, university students in Islamic Studies visited Anglican and other churches to learn about Christian theology and observe worship services, a first for Brunei (this was not reported in the unclassified religious freedom report as church leaders are concerned that public exposure would force an end to this act of religious tolerance).

LOCATION

¶8. (C) Brunei's strategic location at the geographic heart of ASEAN continued to attract attention from established and emerging global powers. The British and Bruneian governments made progress on a revised cost-sharing arrangement for updating the infrastructure supporting the UK's Gurkha battalion and jungle training school. That should ensure that Brunei remains home to the third largest contingent of UK forces permanently stationed overseas, after Germany and Cyprus. Singapore also continued to use its facilities in Brunei for land force

training. The Chinese tell us that they and the Bruneians have agreed to exchange Defense Attaches and Assistant Attaches this summer. (This will give the Chinese Embassy the second largest diplomatic staff of any foreign mission in Brunei after the Philippines, one which will be more than twice as large as U.S. diplomatic staff.) FY-07 has also seen the graduation of the first two Chinese diplomats to complete English language training at the University of Brunei.

U.S. INTERESTS: STABILITY, SECURITY, RELATIONS WITH ISLAMIC WORLD

¶9. (C) FY-07 developments noted above confirm the view expressed in our MSP (and confirmed by Department) that U.S. interests lie in seeing Brunei enjoy long-term stability, contribute actively to regional security, and help to foster improved U.S. relations with the Islamic world. The MSP identified six specific program goals for advancing those interests. Following are our self-assigned grades for how we are doing in each of those areas so far in FY-07, based on the benchmarks set in the FY-07 goal papers.

SUPPORT FOR REGIONAL SECURITY: "B"

¶10. (C) Progress on the diplomatic front was satisfactory. Brunei generally supported closer ties with the U.S. within ASEAN, where it currently serves as the group's country coordinator for China. Support for the U.S.-Brunei Joint Reconstruction Project in Aceh as the flagship project for the U.S.-ASEAN Enhanced Partnership was strong in principle, but Bruneian implementation on the ground has been slower than hoped, an issue we are currently addressing. The government implicitly endorsed the Proliferation Security Initiative Statement of Interdiction Principles through participation in PSI events and was set to provide explicit endorsement as a deliverable during the Sultan's proposed trip to the U.S., but since Bruneian postponement of that trip the momentum has lagged and we need to revive it in conjunction with the Australians, who have the PSI lead with Brunei. As a first step toward improving its regional emergency response capabilities, the GoB agreed to run a Disaster Management Workshop later this year in partnership with APCSS.

¶11. (C) Bruneian participation in peacekeeping progressed. During FY-07 the Bruneian military rotated a new contingent into the Malaysian-led International Monitoring Mission in Mindanao, participated in a PACOM-led MPAT exercise, and consulted with Indonesia and Malaysia on the possibility of embedding Bruneian troops into their UNIFIL contingents later this year. The new update of Brunei's Defense White Paper commits the armed forces to develop deployable and sustainable peacekeeping and humanitarian response capacities. Brunei also plans to send up to a platoon to the multinational Khan Quest exercise later this year in conjunction with the Global Peace Operations Initiative.

COUNTERTERRORISM COOPERATION: "A"

¶12. (C) We met or exceeded MSP benchmarks for military cooperation designed to help improve the counterterrorism capacity of Brunei's military and its interoperability with U.S. forces carrying out the CT mission in Southeast Asia. We aimed for two USN ship visits overall in FY-07; we have had five so far, as relatively good force protection and a low threat level made Brunei a desirable port of call. After considerable effort by post, the Ministry of Defense accepted a DOD proposal to conduct a Defense Resource Management Study aimed at introducing a capabilities-based procurement system, and implementation has begun. We continued to push for an HSPD-6 agreement on the exchange of terrorist watchlist data, and are now down to negotiations on specific language in the text; it is conceivable that a concerted and coordinated USG effort could secure conclusion of an HSPD-6 agreement before the end of FY-07.

MUSLIM UNDERSTANDING OF U.S.: "C"

¶13. (SBU) Our Public Diplomacy program designed to improve perceptions

of the U.S. among young Bruneian Muslims was generally on target. Extensive educational promotion increased the number of Bruneian students at U.S. universities to 21 in FY-07, just shy of our goal of 25; the Ministry of Defense agreed to send six winners of its prestigious scholarships to U.S. universities in the 07-08 school year; and, we laid groundwork for cooperation with the planned Islamic university through a DVC between U.S. and Bruneian Islamic studies experts and a visit to the U.S. by the Deputy Education Minister. Post secured government approval for establishment of a U.S. alumni organization and hopes to hold its initial meeting before the end of the FY. We are on track to achieve Bruneian participation at planned levels in Fulbright, IVP, and APCSS programs. The Embassy already placed 49 local media stories so far in FY-07, exceeding our overall FY goal of 35. And, we are quietly working on an informal program to place publications on U.S. history and society into secondary school libraries without first subjecting them to censorship review.

¶14. (SBU) Despite the above achievements, we give only a "C" grade to Public Diplomacy efforts because our program, and hence its effectiveness, paled in comparison to the flood of media stories that portray the U.S. as anti-Islam and Muslims worldwide as victims of western policies. At best, we are marginally blunting this media impact by giving a small number of young Bruneians reason to question if everything negative they hear about the U.S. is really true. That's pretty small beer, but even that is a stretch given that our entire Public Diplomacy program consists of one Foreign Service National and no/no dedicated PD officer. We believe we could make a much greater impact on Muslim perceptions of the U.S. through more extensive personal interaction with university faculty and media representatives, but that will not be possible without establishment of the full-time PD Entry Level position requested in our MSP.

POPULAR PARTICIPATION IN GOVERNMENT: "C"

¶15. (C) The good news is that the revived Legislative Council held its annual session as scheduled and expanded somewhat its scope of substantive debate, and that political parties have been allowed to organize, meet with the Embassy, and have access to the media, albeit within tight limits. The bad news is that there was no movement toward adding directly elected members to the Council or ending the State of Emergency under which the country is governed, nor any interest in our offer to facilitate NGO assistance in formulating an election law. This is a long-term effort that will require patient and persistent behind-the-scenes lobbying by the Embassy for the remainder of this fiscal year and well beyond.

SUSTAINABLE DEVELOPMENT: "B"

¶16. (SBU) Brunei supported U.S. trade initiatives with ASEAN and within APEC, and the Trade and Investment Council meeting in May featured a productive exchange on regional and global trade issues. The TIC also addressed specific trade barriers, but poor protection of intellectual property and non-tariff barriers to U.S. agriculture remain a problem. U.S. merchandise exports in CY-06 captured slightly below the 11.5 percent market share we had targeted (according to Bruneian data), but groundwork was laid for potentially large sales in

aerospace and defense in the remainder of FY-07 or FY-08. Environmentally-friendly development was boosted by Brunei's signing of the "Heart of Borneo" forest conservation declaration, the arrival of a U.S. consultant to assist with sustainable prawn agriculture, and the USG offer of further aquaculture capacity-building assistance made in the TIC. Post also began work with colleagues in the Department and at Embassies Kuala Lumpur and Jakarta on a possible regional IVP program to support Heart of Borneo implementation.

EMBASSY FACILITIES: "B"

¶17. (U) Progress on a New Embassy Compound (NEC) took a big step as we won host government agreement to build a second access road to OBO's preferred NEC site, clearing the way for acquisition of the property. In the remaining months of FY-07 we still need to work closely with OBO

to complete Congressional consultation on the purchase, make a firm offer, obtain host government approval, and carry out the Integrated Planning Review.

COMMENT: OUTLOOK FOR REMAINDER OF FY-07

¶18. (C) Overall, we pin average achievement of MSP program goals at about a C so far in FY-07. Given our current level of resources we cannot expect much improvement in the Public Diplomacy area for the remainder of the FY, and, while the long-term trend toward greater popular participation in government is headed in the right direction, we cannot predict with any confidence that significant milestones will be reached within FY-07. On the other hand, with coordinated efforts on PSI, HSPD-6, and other diplomatic initiatives, and close support and engagement from OBO on the NEC project, we could conceivably end the year with an "A" grade on counterterrorism, embassy facilities, and garnering Bruneian support for regional security. In short, the outlook for the remainder of FY-07 can be summarized as: good for CT; promising for regional security, sustainable development and embassy facilities; and, just a passing grade at best in the "hearts and minds" areas of Public Diplomacy and greater political openness.

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